

Message Text

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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 4893
INFO AMEMBASSY DJIBOUTI

C O N F I D E N T I A L ADDIS ABABA 4352

E.O. 11652: GDS
TAGS: ENGR ET
SUBJ: PETROLEUM SITUATION

REF: ADDIS ABABA 3716

1. SUMMARY: ALTHOUGH STOCKS OF PETROLEUM PRODUCTS HAVE NOT INCREASED DURING PAST SEVERAL WEEKS (THEY CURRENTLY STAND AT 5-6 DAYS), A NEW EQUILIBRIUM OF SUPPLY AND DEMAND HAS BEEN ACHIEVED BY REDUCING PRIVATE CAR CONSUMPTION OF GASOLINE AND INTERNATIONAL AIRLINE CONSUMPTION OF JET FUEL. THE GOVERNMENT IS ATTEMPTING TO BUY ADDITIONAL TANK TRUCKS IN EUROPE TO REPLACE RAILROAD CAPACITY. AS LONG AS ASSAB-ADDIS ROAD REMAINS OPEN, IT SHOULD BE POSSIBLE TO MAINTAIN ADEQUATE SUPPLIES, EVEN WITH THE EXISTING TRUCK FLEET. END SUMMARY.

2. IN SPITE OF EFFORTS BY PETROLEUM COMPANIES TO INCREASE STOCKS IN ADDIS ABABA, SITUATION HAS NOT IMPROVED DURING PAST SEVERAL WEEKS. PETROLEUM INDUSTRY SOURCES ESTIMATE THAT THERE ARE CURRENTLY CONFIDENTIAL

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5-6 DAYS' SUPPLY OF PETROLEUM PRODUCTS IN ADDIS ABABA. THIS LEVEL COMPARES TO A MAXIMUM STORAGE CAPACITY OF 8-10 DAYS. THE BASIC REASON FOR LACK OF IMPROVEMENT IS INSUFFICIENT TRUCK FLEET TO TRANSPORT PETROLEUM TO ADDIS, MEET NEW REQUIREMENT TO SUPPLY THE DIRE DAWA-HARAR AREA, AND ALSO TO BUILD UP STOCKS. ABOUT THREE DAYS AGO, THE INDUSTRY WAS

INSTRUCTED BY THE GOVERNMENT TO INSURE ALL GAS STATIONS ON THE ADDIS TO GONDAR ROAD AND THE ADDIS TO MEKELE ROAD HAVE ADEQUATE SUPPLIES, PRESUMABLY IN CONNECTION WITH MOVEMENT OF MILITIA ALONG THOSE ARTERIES. THIS MAY FURTHER COMPLICATE DISTRIBUTION OF PETROLEUM PRODUCTS FOR A FEW DAYS UNTIL THE MOVE-MENT OF THE MILITIA IS COMPLETED.

3. ALTHOUGH NO PROGRESS HAS BEEN MADE IN BUILDING UP STOCKS, NO COMMERCIAL CUSTOMERS ARE CURRENTLY WITHOUT STOCKS EITHER AND OTHER DEMAND IS GENERALLY BEING MET, WITH THE EXEPTION OF JET FUEL AND GASO-LINE FOR PRIVATE VEHICLES. Owing TO RATIONING, THERE HAS PROBABLY BEEN A 10-15 PERCENT REDUCTION IN GASOLINE CONSUMPTION. ALTHOUGH LONG LINES AT GAS STATIONS IS COMMONPLACE, TRAFFIC IN ADDIS HAS NOT DECLINED VERY MUCH. THE BIGGEST HEADACHE FOR THE INDUSTRY AT THE MOMENT IS PROVIDING SUFFICIENT JET FUEL WHICH WAS PREVIOUSLY TRANSPORTED BY THE RAILROAD. INTERNATIONAL AIRLINES HAVE BEEN TOLD THAT THEY MUST EITHER ACCEPT JET B (WHICH IS PRO-DUCED BY THE ASSAB REFINERY) OR GO WITHOUT. EVEN THEN, ONLY SUFFICIENT QUANTITIES OF JET B ARE AUTHORI-ZED TO ALLOW THE AIRCRAFT TO REACH ITS NEXT DESTINA-TION. SOME JET A FUEL HAS BEEN TRANSFERRED FROM DJIBOUTI TO ASSAB AND WILL EVENTUALLY BE TRANS-
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PORDED TO ADDIS. THIS FUEL WILL NOT BE USED FOR INTERNATIONAL AIRLINES, HOWEVER, BUT RATHER FOR MILITARY HELICOPTERS. THE QUANTITIES INVOLVED ARE MARGINAL. APPARENTLY THE REDUCTION IN GAS CONSUMPTION PLUS THE REDUCTION IN JET FUEL HAS ALLOWED THE INDUSTRY TO REACH A NEW EQUILIBRIUM BETWEEN SUPPLY AND DEMAND WHICH CAN PROBABLY BE SUSTAINED, AT LEAST IN THE SHORT RUN, PROVIDED THERE IS NO INTERRUPTION IN THE ADDIS-ASSAB ROAD.

4. KEY PROBLEM CONTINUES TO BE TRANSPORT. BEFORE THE RAILROAD WAS INTERRUPTED, ITS CAPACITY WAS EQUIVALENT TO APPROXIMATELY 50-60 TANK TRUCKS WITH TRAILERS. THE EPMG FINALLY AGREED ABOUT A WEEK AGO TO PRUCHASE ADDITIONAL TANK TRUCKS AND TRAILERS ABROAD (THIS IS IN ADDITION TO THE 20 - 30 TO BE PURCHASED FROM THE ASSEMBLY PLANT IN ADDIS -- SE REFTEL). REPRESENTATIVES OF THE MINISTRY OF COMMERCE AND TOURISM ARE CURRENTLY IN EUROPE TRYING TO LOCATE ADDITIONAL TRUCKS. IN ADDITION TO THE 50-60 REQUIRED TO REPLACE RAILROAD CAPACITY, INDUSTRY SOURCES ESTIMATE ANOTHER 50-60

SHOULD BE PROCURED IN ORDER TO ASSURE ADEQUATE HAULAGE CAPACITY.

5. TANK TRUCKS MADE ONE RUN TO DJIBOUTI ABOUT THREE WEEKS AGO. THE DIFFICULTIES INCURRED WERE SO SEVERE THAT THERE ARE NO PLANS TO REPEAT THIS EXERCISE. AMONG OTHER THINGS, DJIBOUTI OFFICIALS INSISTED UPON LICENSES AND GENERALLY MADE THE CUSTOMS AND OTHER FORMALITIES EXTREMELY TIME-CONSUMING. THIS MAY, OF COURSE, HAVE BEEN A TEMPORARY PHENOMENON AND, IF ADEQUATE TANK TRUCKS WERE AVAILABLE, IT WOULD PRESUMABLY BE POSSIBLE TO WORK OUT A MORE EFFICIENT PROCEDURE FOR TRANSPORTING PETROLEUM PRODUCTS FROM THE PORT OF DJIBOUTI TO CONFIDENTIAL

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ADDIS, AS THIS WOULD BENEFIT DJIBOUTI AS WELL AS ETHIOPIA.

6. THUS FAR, THERE HAVE BEEN NO DIFFICULTIES IN KEEPING ASMARA ADEQUATELY SUPPLIED WITH PETROLEUM PRODUCTS, INCLUDING JET B AND AVIATION GASOLINE. THE LEVEL OF SUPPLIES THERE DEPENDS UPON ACCESS TO THE PORT (MASSAWA) AS WELL AS THE RATE OF OFFTAKE; THERE IS LITTLE STORAGE CAPACITY IN ASMARA ITSELF.

7. AN OFFICIAL OF MOBIL WHICH HAS THE CRUDE OIL CONTRACT FOR THE ASSAB REFINERY, STATED THAT MOBIL HAS COME UNDER NO REPEAT NO PRESSURE FROM THE ETHIOPIAN GOVERNMENT TO SWITCH ITS SOURCE OF CRUDE FROM SAUDI ARABIA, THEIR CURRENT SUPPLIER, TO SOME OTHER SUPPLIER. HE SPECULATED THAT THIS WAS BECAUSE SAUDI CRUDE HAS BEEN 5 PERCENT CHEAPER THAN MOST OTHER ALTERNATIVES. AFTER SAUDI ARABIA RAISES ITS PRICE FOR CRUDE, THE GOVERNMENT MAY INSTRUCT MOBIL TO SHIFT, PRESUMABLY TO IRAN WHICH, ACCORDING TO HIM, MOBIL CAN DO WITH LITTLE OR NO DIFFICULTY.

8. COMMENT: THE GOVERNMENT HAS CLEARLY MADE THE RIGHT DECISION IN ATTEMPTING TO LOCATE ADDITIONAL TANK TRUCKS AND TRAILERS, THE ONLY REAL BOTTLENECK IN THE SSTEM. THE SOONER THESE TANK TRUCKS ARE PROCURED AND DELIVERED, THE BETTER. HOWEVER, EVEN IN THEIR ABSENCE, AS LONG AS THE ROAD TO ASSAB REMAINS OPEN, IT SHOULD BE POSSIBLE TO MAINTAIN ADEQUATE SUPPLIES OF PETROLEUM PRODUCTS WITH THE EXISTING TRUCK FLEET, ASSUMING MODEST LEVELS OF RATIONING TO PRIVATE CUSTOMERS AND SEVERE RATIONING FOR INTERNATIONAL AIRLINES. SHOULD THE ADDIS-ASSAB ROAD BE INTER-
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DICTED, OF COURSE, A SERIOUS CRISIS WOULD DEVELOP
WITHIN A RELATIVELY SHORT TIME. THERE IS NO WAY TO
AVOID THIS VULNERABILITY AS STORAGE IN ADDIS IS
VERY LIMITED. IT IS REMARKABLE THAT THE EPMG DID NOT
INSIST IN THE PAST THAT OIL COMPANIES INCREASE THEIR
STORAGE CAPACITY.

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